

**Remarks of Ambassador Rob Portman  
United States Trade Representative  
U.S. – China Trade Relations  
Top-to-Bottom Review  
February 14, 2006  
Washington, DC**

**Ambassador Portman:** Thank you all for being here on this Valentine's morning. This is an important day for USTR. We are today announcing the results of our Top-to-Bottom Review. Some of you have been in discussion with me about this the past several months.

If you recall that when I was nominated to be the U.S. Trade Representative, I said I wanted to undertake a "top-to-bottom" review of the U.S. trade policy with respect to China. We've done that. We've undertaken a thorough and detailed look at our trade relationship with China – its development over the past 20 years, core principles underlying that trade policy, and the challenges that we face.

The review was informed by a lot of input including from Congress, industry, China experts, other government agencies, through an intensive inner agency process, public testimony. This was the first comprehensive review of U.S. trade policy towards China actually since China joined the WTO in 2001.

Today I am delivering that report to Congress summarizing the results of this review. It concludes that we are entering a new phase of our trade relationship with China. The first phase covered the 15 years from 1986 to 2001, when the United States worked very hard to get China into the rules-based WTO system. The second phase has included the past 4 years as we helped guide China's transition as a new WTO member. As of this year, the deadline to implement most of China's WTO commitments has now passed, and we are now entering a new phase - one in which China is recognized as a "mature" and successful member of the global trading system.

The U.S. has derived certain benefits from having China in the rules-based trading system. One example, of course would be now that we have received just late last week the 2005 trade numbers, we now know that we have had three consecutive years of strong U.S. export growth to China – each year exceeding 20% growth, making China, incidentally, our largest export market among major economies. However, overall, our U.S-China trade relationship today lacks equity, durability and balance in the opportunities it provides.

This disparity is due in part to China's failure to honor certain commitments, including its failure to enforce intellectual property rights, its protection and support for certain domestic industries, and its refusal to fulfill certain market opening commitments, all of which play a role in the record bilateral trade deficit figures which were released late last week.

Looking forward, the report outlines our objectives and priority goals. As a mature trading partner, China should be held accountable for its actions and required to live up to its

responsibilities, including enforcing intellectual property rights, allowing market forces to drive economic development and opening its markets. We will use all options available to meet this challenge.

The report also announces a series of actions that we propose to take to help us achieve these objectives, including the following:

First, more rigorous enforcement. The report announces the creation of a China Enforcement Task Force at USTR, headed by a new Chief Counsel for China. Although unprecedented at USTR, I believe this kind of dedicated, country-specific enforcement team is needed to secure China's compliance with its commitments.

The United States is the only country, as you may know, that has brought a case against China in the WTO. We were prepared to bring a second one only a few weeks ago, but at the last moment China reversed an unfair antidumping order against U.S. exporters of an important product for us called kraft liner board in response to our specific threat to bring the case. If China does not take affirmative steps to address other outstanding issues, including its inadequate protection of intellectual property rights and its rules that discriminate against imported auto parts, we are prepared to pursue legal options in those cases as well.

Second, is strengthening USTR's Information Collection with Respect to China. In my view, the formation and implementation of our China trade policy – including our enforcement – needs to be informed by more comprehensive, forward-looking information and analysis about China's economic development. We need to be anticipating challenges in the years ahead, not just addressing the concerns of yesterday or today. The report calls for the dedication of new China-specific resources at USTR to coordinate collection and integration of information on China's trade regime. It also calls for the establishment of a senior level advisory task force to advise on China trade policy.

Third, is expanding trade negotiating capacity in Beijing. The report calls for expansion of our trade negotiating capacity there – we need a trade negotiator on the ground - we do not have that now, in fact we do not have that anywhere except in Brussels and of course our Geneva/WTO office. This is a person who would be in constant communication with U.S. business and Chinese officials, and who would be in a position to strengthen trade enforcement and compliance efforts. This individual will also help remove barriers and promote greater market access for U.S. goods and services, work to ensure transparency, better intellectual property enforcement, and even more- and more even- application of the rule of law in China.

Fourth, enhancing cooperation with our trading partners. As you'll see, the report calls for expanding our cooperation with other trading partners as we seek to address common challenges. Concerns that I've raised today with regard to China's practices are not limited to US exports, of course. Recently, as one example of our increased coordination already, we have worked with Japan and Switzerland to seek evidence through the WTO regarding China's intellectual property rights enforcement and compliance. We're seeking to work with the European Union currently with respect to Chinese discriminatory- discriminatory tariffs affecting auto parts, so we've begun some of this coordination, we believe it should be enhanced.

I would also like to see us work jointly to promote more constructive participation by China in the international trading system. As the report notes, China should take on responsibilities commensurate with its economic heft and the benefits it currently derives from global trade system. This means, in part, that China must play a larger role in the Doha Round of trade negotiations. It should also accede to the WTO Government Procurement Agreement and the World Intellectual Property Organization Internet Treaties. We will improve coordination with other trading partners on China matters, especially with the EU and Japan, to help achieve these goals.

Fifth to deepen and strengthen U.S. economic and trade relationships in the Asia and Pacific area. We cannot sit back, and we will not sit back. We must proactively engage economies like Singapore, Thailand, Korea, India, Vietnam and Malaysia, as well as working with regional organizations like ASEAN and APEC, to help maintain a robust U.S. economic presence in this critical region. Our FTA negotiations, WTO accession negotiations, and special dialogues with these countries are an important part of this engagement.

In conclusion, I would just like to say I consider this not the end, but the beginning of an important new dialogue on China policy that we will be having with Congress and other stakeholders and the American people. I made that clear in the cover letter I sent to the Chairmen and Ranking Members of the Senate Finance and Ways and Means Committee today. This is a report – top to bottom – of U.S. China trade opportunities and challenges. We are open to additional input and ideas going forward.

At the end of the day, I believe it is in the interest of the United States to have China play a constructive role as a peaceful and prosperous player on the global stage. The U.S. helped usher China into the rules-based trading system to open China's market, broaden its obligations and implement the trade reforms required by WTO membership. We must now adjust our trade policy to ensure that Americans enjoy the full benefits of these achievements.

Again, thank you all for coming and I'll open for any questions you might have.